

Message Text

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ACTION OES-04

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC NIACT IMMEDIATE 1241

INFO FHREGGTN/ERDA GERMANTOWN MD

C O N F I D E N T I A L SECTION 1 OF 4 TEHRAN 03828

C O R R E C T E D C O P Y (SECTION INFORMATION OMITTED)

ERDA FOR FRIEDMAN

OES FOR BENGELSDORF

E.O. 11652: GDS

TAGS: TECH, IR

SUBJ: NEGOTIATIONS ON DRAFT AGREEMENT ON ATOMIC ENERGY

REF: TEHRAN 3306

1. SUMMARY. DISCUSSIONS WITH ETEMAD ON DRAFT AGREEMENT FOR NUCLEAR COOPERATION PROCEEDED WELL, AND IN MOST CORDIAL ATMOSPHERE, WITH CONSIDERABLE PROGRESS MADE IN DEVELOPING MODIFIED LANGUAGE TO ACCOMMODATE MATTERS OF DETAIL RAISED BY GOI ON PRINCIPAL SUBSTANTIVE ISSUE OF US RIGHTS OF CONTROL OVER IRANIAN FUEL CYCLE ACTIVITIES, ETEMAD SPOKE IN HIGHLY FAVORABLE TERMS OF DESIRABILITY OF FINDING "INTERNATIONAL PATTERN" TO ALLAY CONCERNS THAT SUCH ACTIVITIES WOULD CONTRIBUTE TO PROLIFERATION, AND EXPRESSED WILLINGNESS TO WORK CLOSELY WITH US TO HELP FIND AND ESTABLISH SUCH PATTERNS. HE REITERATED IN STRONGEST TERMS, HOWEVER, UNWILLINGNESS TO MAKE US APPROVAL OF IRANIAN FUEL CYCLE ACTIVITIES CONDITIONAL ON ESTABLISHMENT SUCH ARRANGEMENTS, BUT AFTER US EXPLANATION OF MULTI-NATIONAL CONCEPT AS CALLING FOR SUPPLIER INVOLVEMENT AS PRINCIPAL ELEMENT, HE PROMISED FIRM UNDERTAKING TO INVITE ANY SUPPLIER OF REPROCESSING TECHNOLOGY TO PARTICIPATE IN MANAGEMENT AND OPERATION OF PLANT, IF US PREPARED GIVE APPROVAL FROM OUTSET IN EXCHANGE FOR SUCH UNDERTAKING. US REPS INDICATED THAT ACTUAL ACHIEVEMENT OF SUCH ARRANGEMENT, AND NOT MERELY IRANIAN OFFER, WAS ESSENCE OF PROBLEM. CONFIDENTIAL

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DISCUSSIONS THIS TOPIC WILL CONTINUE TOMORROW AFTERNOON, APRIL 27. ACTION REQUESTED: PROVIDE REACTION SOONEST TO DRAFT PROVISIONS OR APPROACHES CITED IN THIS MESSAGE. END SUMMARY.

2. ETEMAD INITIATED DISCUSSIONS BY REITERATING OFT-STATED POSITION THAT IRAN FULLY SUBSCRIBES TO SAME NON-PROLIFERATION OBJECTIVES AS US. POINTING OUT THAT US WAS NO LONGER SOLE NUCLEAR SUPPLIER, HE EXPRESSED STRONG INTEREST IN SEEKING "INTERNATIONAL PATTERN" WHICH WOULD BRING SUPPLIERS AND CONSUMERS TOGETHER IN RELATIONSHIP THAT WOULD REINFORCE MUTUAL INTEREST IN NON-PROLIFERATION. HE ALSO RESPONDED IN HIGHLY AFFIRMATIVE MANNER TO SUGGESTIONS OF US REPS THAT IRAN HAD OPPORTUNITY TO TAKE LEADERSHIP AT THIS TIME IN ESTABLISHMENT OF SUCH INTERNATIONAL PATTERN, AND THAT IRAN WOULD ITSELF BENEFIT FROM ACTIONS WHICH WOULD ALLAY CONCERNS THAT ITS NUCLEAR PROGRAMS AND THOSE OF OTHERS MIGHT BE TURNED TO MILITARY PURPOSES.

3. IN ARTICLE BY ARTICLE REVIEW OF AGREEMENT FOLLOWING POINTS WERE DISCUSSED AND, WHERE INDICATED, REVISED LANGUAGE DEVELOPED ON AD REFERENDUM BASIS (REFERENCES ARE TO ARTICLE NUMBERS IN US MARCH 4, 1975. DRAFT).

A. ARTICLE I - ETEMAD REQUESTED DEFINITION OF TRANSFER, AS USED IN ARTICLE VII, IN VIEW OF IRANIAN DIFFICULTIES IN UNDERSTANDING WHETHER TRANSFER ACCOMMODATED ALL MEANS OF SUPPLY. US REPS INDICATED TRANSFER REFERRED ONLY TO PHYSICAL ACT OF DELIVERY OF MATERIAL INTO IRANIAN POSSESSION, AND WAS NOT INTENDED TO DESCRIBE ECONOMIC OR LEGAL IMPLICATIONS OF TRANSFER, WHICH WOULD BE COVERED IN SPECIFIC TRANSACTIONS. FOLLOWING LANGUAGE WAS PROVIDED: "FOR THE PURPOSES OF THIS AGREEMENT: (15) 'TRANSFER' OF SPECIAL NUCLEAR MATERIALS MEANS DELIVERY OF POSSESSION TO THE IMPERIAL GOVERNMENT OF IRAN OR AUTHORIZED PERSONS UNDER ITS JURISDICTION, AND INCLUDES TRANSFER BY SALE, LEASE, URANIUM ENRICHMENT SERVICES CONTRACTS, AGREEMENTS WHICH ENTITLE IRAN TO A PORTION OF THE SEPARATIVE WORK OUTPUT OF URANIUM ENRICHMENT FACILITIES IN THE UNITED STATES IN WHICH IRAN HAS INVESTED, OR BY ANY OTHER MEANS." ETEMAD ALSO QUESTIONED, BUT ACCEPTED, NECESSITY FOR NEW DEFINITION OF "PEACEFUL PURPOSES."

B. ARTICLE III - US REPS AGREED TO SUBSTITUTION OF "SHALL" FOR "WILL" IN ARTICLE III, AS INCORPORATED IN ARTICLE IV OF CONFIDENTIAL

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US-AUSTRIAN BILATERAL. REPS ALSO OFFERED TO INCLUDE STANDARD LIST OF TOPICS OF COOPERATION, ALSO INCLUDED IN AUSTRIAN AGREEMENT, BUT POINTED OUT THIS MIGHT TEND TO NARROW RATHER THAN BROADEN EXCHANGE OF INFORMATION. ETEMAD RESERVED ON WHETHER HE WILL ASK INCLUSION OF THIS ADDITIONAL LANGUAGE.

C. ARTICLE VII - AS REFLECTED IN COMMENTS IN ARTICLE I AND IRANIAN COMMENTS PROVIDED REFTL, ETEMAD WAS CONCERNED THAT ARTICLE VII, A DID NOT PROVIDE CLEAR AUTHORITY FOR VARIOUS MEANS OF TRANSFER OF ENRICHED URANIUM. US REPS PROVIDED FOLLOWING LANGUAGE, WHICH DESIGNED TO COVER BOTH CASE OF ENRICHMENT SERVICE CONTRACTS WITH EITHER USG OR PRIVATE PARTIES AND STILL-UNDEFINED CONTRACTUAL RELATIONSHIP INVOLVING IRANIAN INVEST-

MENT IN PRIVATE ENRICHMENT FACILITY: "A. UNDER TERMS AND CONDITIONS AS MAY BE AGREED AND WITHIN THE QUANTITY AUTHORIZED IN ARTICLE IX OF THIS AGREEMENT, URANIUM ENRICHED IN THE ISOTOPE U-235 MAY BE TRANSFERRED BY THE ADMINISTRATION, OR BY AUTHORIZED PERSONS UNDER THE JURISDICTION OF THE UNITED STATES, TO THE IMPERIAL GOVERNMENT OF IRAN, OR TO AUTHORIZED PERSONS UNDER ITS JURISDICTION, FOR USE AS FUEL WITHIN IRAN IN REACTORS FOR POWER APPLICATIONS; IN REACTORS FOR APPLICATIONS OTHER THAN POWER, INCLUDING REACTORS FOR RESEARCH, MATERIALS TESTING, EXPERIMENTAL, SCIENTIFIC AND INDUSTRIAL USE; AND IN REACTOR EXPERIMENTS. SUCH TRANSFER OF URANIUM ENRICHED IN THE ISOTOPE U-235 TO THE IMPERIAL GOVERNMENT OF IRAN, OR TO AUTHORIZED PERSONS UNDER ITS JURISDICTION, MAY BE EFFECTED, INTER ALIA, THROUGH URANIUM ENRICHMENT SERVICES CONTRACTS, OR THROUGH AGREEMENTS WHICH ENTITLE THE IMPERIAL GOVERNMENT OF IRAN TO A PORTION OF THE SEPARATIVE WORK OUTPUT OF A URANIUM ENRICHMENT FACILITY TO BE CONSTRUCTED IN THE US."

NOTE BY OC/T: L AND SS TAKE AS ORIGINAL.

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D. ARTICLE VIII, A - IN RESPONSE STRONG OBJECTION TO PHRASE "AT THE DISCRETION OF THE ADMINISTRATION," US REPS SUGGESTED, AND ETEMAD AGREED TO SUBSTITUTION OF "BY MUTUAL AGREEMENT."

E. ARTICLE VIII, E -

(1) IN DISCUSSIONS OF ARTICLE VIII, ETEMAD TOOD STRENUOUS EXCEPTION TO BOTH MARCH 4 VERSION AND NEW DRAFT TABLED BY NEGOTIATORS DESIGNED TO MEET IAEA OBJECTIONS IN REF TEHRAN 3306. ETEMAD BASED OBJECTION ON GROUNDS THAT (A) WHILE IRAN WILL WELCOME AND INDEED SEEK US CONSULTATION AND ADVICE ON EFFECTIVE PHYSICAL SECURITY MEASURES, AND WILL GUARANTEE TO APPLY EFFECTIVE PHYSICAL SECURITY, FINAL DETERMINATION OF WHAT THESE MEASURES WILL BE IS INTERNAL MATTER FOR IRAN TO DECIDE; AND (B) IRAN CANNOT IN ANY CIRCUMSTANCE GUARANTEE THAT NO UNAUTHORIZED USE, ETC. WILL OCCUR, ONLY THAT EFFECTIVE MEASURES WILL BE APPLIES. IN THIS REGARD, HE TOOK POSITION THAT STANDARDS COULD NOT

EXCEED THOSE APPLIED IN US. US REPS POINTED OUT THAT REVISED LANGUAGE SUGGESTED BY IAE0 IN PARA 3, "ARTICLE VIII" OF REFTL INDICATED ACCEPTANCE OF CONCEPT OF MUTUAL AGREEMENT ON STANDARDS. IN RESPONSE, ETEMAD STATED THAT HE DECIDED ON FURTHER CONSIDERATION THAT THIS LANGUAGE (WHICH WAS TRANSMITTED TO EMBASSY IN HIS ABSENCE) WAS NO LONGER ACCEPTABLE.

(2) IN FURTHER RESPONSE TO ETEMAD'S OBJECTIONS, US REPS POINTED OUT THAT US DRAFT DID NOT CALL ON GOI TO GUARANTEE THAT NO UNAUTHORIZED ACTS WOULD OCCUR, BUT ONLY TO UNDERTAKE AGREED MEASURES REASONABLY DESIGNED TO PREVENT SUCH ACTS. IN FURTHER DISCUSSION OF ISSUE, ETEMAD BACKED OFF TO POINT OF SUGGESTING CONFIDENTIAL

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THAT THERE MIGHT BE AGREEMENT ON "TEHCNICAL STANDARDS," BUT NOT ON IMPLEMENTING MEASURES THEMSELVES, ON WHICH FINAL DECISION MUST BE IRAN'S. US REPS POINTED OUT THAT AGREEMENT ON MEASURES WAS DESIGNED TO ENSURE DEPENDABLE IMPLEMENTATION OF AGREEMENT FROM IRANIAN POINT OF VIEW, BY PROVIDING MECHANISM FOR PRIOR AGREEMENT WHICH, IF FOLLOWED, WOULD ASSURE IRAN OF NO INTERRUPTION IN SUPPLIES BECAUSE OF CONCERN OVER PHYSICAL SECURITY. CONSEQUENCE OF IRAN HAVING FINAL WORD ON PHYSICAL SECURITY, THEY SUGGESTED, WOULD INEVITABLY BE THAT US WOULD HAVE FINAL WORD ON IMPLEMENTATION, I.E., CONTINUED DELIVERIES. ETEMAD INDICATED HE ACCEPTED LOGIC OF THIS POSITION.

(3) ON BASIS OF DISCUSSION, US REPS CONVINCED THAT US FORMULATIONS ARE UNACCEPTABLE TO IRAN, BUT THAT FORMULATION ALONG FOLLOWING LINES, WHICH WE BELIEVE FULLY PROTECT US INTERESTS IN ADEQUATE PHYSICAL SECURITY, MIGHT BE SALABLE: "THE PARTIES SHALL CONSULT ON PHYSICAL SECURITY MEASURES TO ENSURE THAT NUCLEAR MATERIALS, EQUIPMENT, AND DEVICES SUBJECT TO ARTICLE X OF THIS AGREEMENT WILL BE PROTECTED FROM USES NOT AUTHORIZED BY THE IMPERIAL GOVERNMENT OF IRAN AND FROM THEFT AND SABOTAGE, AND SHALL AGREE ON TECHNICAL STANDARDS FOR THE APPLICATION OF SUCH MEASURES WHICH, IN THE OPINION OF BOTH PARTIES, PROVIDE PROTECTION AGAINST UNAUTHORIZED USE, THEFT, OR SABOTAGE COMPARABLE TO THAT PROVIDED FOR SIMILAR MATERIALS, EQUIPMENT, AND DEVICES IN THE UNITED STATES. THE IMPERIAL GOVERNMENT OF IRAN GUARANTEES THAT PHYSICAL SECURITY MEASURES IN ACCORDANCE WITH AGREED TECHNICAL STANDARDS SHALL BE MAINTAINED WITH RESPECT TO ALL MATERIALS, EQUIPMENT, AND DEVICES WHICH ARE SUBJECT TO ARTICLE X OF THIS AGREEMENT. THESE MEASURES SHALL BE REVIEWED BY THE PARTIES FROM TIME TO TIME, AND WHENEVER EITHER PARTY IS OF THE VIEW THAT A REVISION MAY BE REQUIRED TO MAINTAIN EFFECTIVE PHYSICAL SECURITY, AND THE PARTIES SHALL AGREE, IF NECESSARY, ON REVISED TECHNICAL STANDARDS. IT IS UNDERSTOOD BY THE PARTIES THAT CONTINUED COOPERATION UNDER THIS AGREEMENT IS DEPENDENT UPON THE MAINTENANCE BY THE IMPERIAL GOVERNMENT OF IRAN OF EFFECTIVE PHYSICAL SECURITY MEASURES IN ACCORDANCE WITH THE TECHNICAL STANDARDS AGREED TO UNDER THIS SUBARTICLE."

(4) IN VIEW US REPS, ABOVE FORMULATION FULLY PRESERVES US
PRINCIPLE THAT CONTINUED AVAILABILITY OF US MATERIAL DEPENDS
ON CONTINUED APPLICATION OF EFFECTIVE PHYSICAL SECURITY MEASURES.
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MOREOVER, REPS BELIEVE THAT CRITERION OF LEVEL OF PROTECTION
COMPARABLE TO THAT IN US (WHICH MIGHT REQUIRE DIFFERENT OR MORE
STRINGENT MEASURES THAN IN US, AND THUS PROVIDES GREATER
ASSURANCE THAN "COMPARABILITY WITH PHYSICAL SECURITY REQUIRE-
MENTS" CALLED FOR BY NOTE ATTACHED TO US DRAFT OF MARCH 4) IS
MORE APPROPRIATE STANDARD THAN PREVENTION UNDER "ANY CIR-
CUMSTANCES WHICH MAY REASONABLY BE FORESEEN" AND SHOULD FIND
ACCEPTANCE IN VIEW OF NECESSITY THAT DOMESTIC LEVEL OF PRO-
TECTION BE ADEQUATE. WITH RESPECT TO "AGTEEMENT ON TECHNICAL
STANDARDS" WHICH WE HOPE WILL BE ACCEPTABLE TO ETEMAD, US
REPS HAVE IN MIND, AND WOULD SO INFORM ETEMAD, THAT THIS REFERS
TO STANDARDS OF TYPE (BUT NOT NECESSARILY OF SAME LEVEL)
DEALT WITH IN IAEA GREY-BOOK. SINCE WE DO NOT BELIEVE THAT
LEVEL OF SPECIFICITY OF AGREED SAFEGUARD MEASURES CONTEMPLATED
BY US DRAFT WOULD GO BEYOND THIS IN ANY CASE, PROCTICAL DIFFERENCE
BETWEEN "AGREED TECHNICAL STANDARDS" AND "AGREED PHYSICAL SECURITY
MEASURES" IS MINIMAL. FINALLY, EVEN WHEN AGREEMENT IS REQUIRED
ON PHYSICAL SECURITY MEASURES, FINAL PROTECTION RESTS ON
CONDITIONING CONTINUED COOPERATION ON REVIEW OF MEASURES AS
APPLIED, A PRINCIPLE WHICH IS FULLY PRESERVED IN TEXT PROPOSED
ABOVE. FOR REASONS CITED, US REPS RECOMMEND THAT THEY BE
AUTHORIZED TABLE ABOVE TEXT. PLEASE ADVISE URGENTLY.

4. ARTICLE IX - DR. ETEMAD EXPRESSED CONCERN OVER THE ABSENCE
IN THE DRAFT BILATERAL OF PROVISIONS FOR USE IN IRAN OF SPECIAL
NUCLEAR MATERIAL OBTAINED BY IRAN AS A RESULT OF AN INVESTMENT
IN URANIUM ENRICHMENT FACILITIES IN THE US. DR. ETEMAD WAS
AGREEABLE TO THE CONCEPT THAT MATERIAL OBTAINED AS A RESULT
OF SUCH AN INVESTMENT COULD BE USED TO THE EXTENT NECESSARY
TO SUPPORT THE FUEL CYCLES OF REACTORS IN IRAN. HE THEN SHIFTED
HIS CONCERN TO THE RIGHT OF IRAN TO DISPOSE OF THE MATERIAL
OBTAINED FROM SUCH AN INVESTMENT WHICH WAS IN EXCESS OF IRAN'S
REACTOR NEEDS. HE EXPRESSED CONCERN THAT THE US FOR REASONS OF
ITS OWN AND/OR NOT PREVIOUSLY AGREED TO BY IRAN WOULD THWART

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IRAN'S TRANSFER OF ITS MATERIAL FROM THE US TO AN OTHERWISE AUTHORIZED RECIPIENT. US REPS STATED THAT THE CONDITIONS COVERING THE RIGHT OF IRAN TO TRANSFER SUCH MATERIAL SHOULD BE THE SUBJECT OF A SEPARATE PROTOCOL (AND PROBABLY ADDITIONALLY AS PART OF ITS AGREEMENT FOR INVESTMENT IN ENRICHING FACILITIES IN THE US) AND IF SATISFACTORY CONDITIONS COULD NOT BE AGREED UPON IRAN NEED NOT MAKE SUCH INVESTMENT IN A US FACILITY. ETEMAD, ON BASIS OF THIS ARGUMENT, ACCEPTED THE CONCEPT THAT THE "EXCESS" MATERIAL SHOULD BE "STOCKPILED" IN THE US. US REPS AGREED TO INCLUDING REFERENCE TO NEED FOR PROTOCOL IN THE AGREEMENT FOR COOPERATION SINCE IN ETEMAD'S VIEW THIS WAS THE BASIC GOVERNMENT TO GOVERNMENT AGREEMENT. THE REVISED PERTINENT ARTICLES ARE:

A. ARTICLE VIII, B, (2). ANY URANIUM ENRICHED IN THE ISOTOPE U-235 CORRESPONDING TO THE SEPARATIVE WORK OUTPUT TO WHICH THE IMPERIAL GOVERNMENT OF IRAN IS ENTITLED BY REASON OF ITS INVESTMENT IN A URANIUM ENRICHMENT FACILITY OF FACILITIES IN THE UNITED STATES, AND WHICH IS NOT TRANSFERABLE TO IRAN PURSUANT TO THIS AGREEMENT, MAY BE DISPOSED OF BY THE IMPERIAL GOVERNMENT OF IRAN IN ACCORDANCE WITH THE TERMS OF AN APPROPRIATE AGREEMENT BETWEEN THE PARTIES RELATING TO SUCH INVESTMENT BY THE IMPERIAL GOVERNMENT OF IRAN.

B. ARTICLE IX. THE SEPARATIVE WORK REQUIRED TO PRODUCE THE URANIUM ENRICHED IN THE ISOTOPE U-235 TRANSFERRED UNDER THIS AGREEMENT FROM THE UNITED STATES OF AMERICA TO IRAN FOR POWER APPLICATIONS SHALL NOT EXCEED THAT NECESSARY TO SUPPORT THE FUEL CYCLES OF REACTORS HAVING A TOTAL INSTALLED CAPACITY OF
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8,000 MEGAWATTS ELECTRIC. IN THE EVENT, HOWEVER, THAT IRAN ENTERS INTO AN AGREEMENT OR AGREEMENTS TO INVEST IN URANIUM ENRICHMENT FACILITIES IN THE UNITED STATES, THE QUANTITY OF SEPARATIVE WORK WHICH MAY BE TRANSFERRED UNDER THIS AGREEMENT SHALL BE THAT NECESSARY TO SUPPORT THE FUEL CYCLES OF REACTORS IN IRAN, NOT TO EXCEED THE AMOUNT OF SEPARATIVE WORK TO WHICH IRAN IS ENTITLED PURSUANT TO SUCH AGREEMENT OR AGREEMENTS FOR INVESTMENT IN URANIUM ENRICHMENT FACILITIES IN THE UNITED STATES.

5. DISCUSSION OF DIFFICULT ISSUES OF US VETO RIGHT OVER IRANIAN FUEL CYCLE ACTIVITIES WAS TAKEN UP AS LAST ITEM. ETEMAD REITERATED WILLINGNESS TO WORK WITH US TOWARD "INTERNATIONAL PATTERN" FOR SENSITIVE FUEL CYCLE ACTIVITIES, BUT STRONGLY STATED UNWILLINGNESS TO ALLOW IRAN'S RIGHT TO REPROCESS US MATERIAL REMAINS SUBJECT TO US APPROVAL PENDING THE DEVELOPMENT

OF SUCH INTERNATIONAL AGGANGEMENTS. HE PARTICULARLY TOOK EXCEPTION TO US VETO OVER FEBRICATION OF LOW-ENRICHED FUEL FABRICATION. US REPS POINTED OUT THAT DRAFT US NOTE OF MARCH 4, 1975 EXPLICITLY GAVE APPROVAL TO FABRICATION OF LOW-ENRICHED URANIUM FOR IRAN. WHICH US NOW ALSO PREPARED TO EXTEND TO THIRD COUNTRIES IN SUPPORT OF CONCEPT OF INTERNATIONAL PATTERN. ETEMAD PRESSED POINT THAT LOW-ENRICHED FUEL FABRICATION SHOULD BE SEPARATED FROM SENSITIVE FUEL CYCLE ISSUES AND THAT UNDERSTANDING SCITED ABOVE BE INCORPORATED IN BODY OF AGREEMENT. US REPS BELIEVE THIS SEPARATION WILL FACILITATE SATISFACTORY AGREEMENT ON SENSITIVE ISSUE OF REPROCESSING, FABRICATION, STORAGE, ETC. OF MATERIALS CONTAINING PU OF HEU, AND PLAN TO PROVIDE TEXT TOMORROW, INCLUDING THIRD PARTY FABRICATION ON AD REFERENDUM BASIS, WHICH WILL ACCOMMODATE ETEMAD'S REQUEST. WASHINGTON COMMENTS REQUESTED.

6 RETURNING TO REPROCESSING ISSUE, ETEMAD POINTED OUT THAT REPROCESSING WOULD HAVE TO BE COMMERCIALLY VIABLE, AND PARTICULARLY QUESTIONED WHETHER COMPLEX ARRANGEMENTS INVOLVING SEVERAL SUPPLIERS AND/OR CUSTOMERS COULD BE WORKED OUT IN PRACTICE. US REPS THEN PRESENTED EVOLVED US CONCEPT THAT ESSENTIAL ELEMENT OF MULTINATIONAL ARRANGEMENT IS SUPPLIER INVOLVEMENT IN MANAGEMENT AND OPERATION OF FACILITY, ALTHOUGH INVOLVEMENT OF ADDITIONAL PARTIES, OF COURSE, REMAINS HIGHLY DESIRABLE. US REPS ALSO EXPRESSED VIEW THAT, IF IRAN MADE CONFIDENTIAL

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SUPPLIER INVOLVEMENT A CONDITION OF ITS REQUEST FOR PROPOSALS, SUCH INVOLVEMENT WOULD IN ALL PROBABILITY BE FORTHCOMING. IN THIS REGARD, US REPS EXPRESSED VIEW THAT IMPORTANT MATTER WAS NOT SUPPLIER CAPITAL INVESTMENT IN PLANT, OR SHARING IN REVENUES, BUT PARTICIPATION IN MANAGMENT AND OPERATION, PERHAPS IN EXCHANGE FOR ONLY ITS TECHNOLOGICAL CONTRIBUTION. ETEMAD ALSO VOLUNTEERED THAT HE WAS PREPARED INVITE US INTO ASSOCIATION WITH ANY IRANIAN REPROCESSING PLANT, BUT DID NOT KNOW WHETHER ANY US FIRM WOULD ACCEPT OFFER. US REPS STATED THAT SUCH OFFER, REGARDLESS OF WHETHER ACCEPTED, WOULD BE WELCOME AND WOULD BE AN AFFIRMATIVE FACTOR IN ARRIVING AT US DECISION. AS DISCUSSION PROCEEDED, ETEMAD VOLUNTEERED THAT HE PREPARED ACCEPT AGREEMENT UNDER WHICH US APPROVAL FOR REPROCESSING IN IRAN WOULD BE EXTENDED FROM OUTSET, ON FIRM UNDERSTANDING THAT IRAN WOULD SEEK SUBSTANTIVE SUPPLIER INVOLVEMENT. US REPS EXPRESSED WILLINGNESS CONSIDER POSSIBILITY, BUT STRESSED THAT ACTUAL ACHIEVEMENT OF SUPPLIER INVOLVEMENT AND NOT MERELY GOOD FAITH ATTEMPT TO ACHIEVE THIS, WOULD CLEARLY BE NECESSARY. ETEMAD ALSO TOOK STRONG POSITION THROUGHOUT THIS DISCUSSION, AS HE HAS IN PAST, THAT INCORPORATION OF UNDERSTANDINGS RE REPROCESSING IN SEPARATE NOTE WAS CONFUSING, UNDESIRABLE, AND, IN HIS VIEW, NOT AS BINDING AS IF SAME UNDERSTANDING INCLUDED IN AGREEMENT ITSELF. US REPS STATED NOTE WOULD BE PUBLISHED WITH AGREEMENT AND WOULD HAVE SAME STATUS AS AGREEMENT ITSELF, AND STRESSED ESIRABILITY OF MAINTAINING UNIFORM

PATTERN OF AGREEMENTS IN FUTURE, WITH SPECIAL CIRCUMSTANCES
BEING TAKEN UP IN SEPARATE NOTES.

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7. DISCUSSION THIS TOPIC CONCLUDED WITH US REPS UNDERTAKING
TO CONSIDER FURTHER MODIFIED VERSION OF ETEMAD'S SUGGESTION
FOR US EXPRESSION OF READINESS TO APPROVE REPROCESSING IN IRAN,
ON UNDERSTANDING THAT FACILITY WOULD BE MULTI-NATIONAL IN
SENSE OF STRONG SUPPLIER INVLOVEMENT. AS DEPT. RECONGNIZES,
THIS IS ESSENTIALLY US FALL-BACK POSITION, AND US REPS'
ESTIMATE IS THAT ETEMAD IS LIKELY TO AGREE TO THIS MODIFICATION
OF HIS PROPOSAL PROVIDED, BUT ONLY PROVIDED, THAT ENTIRE
UNDERSTANDING IS INCORPORATED IN AGREEMENT ITSELF. US REPS
RECOGNIZE THAT NEGOTIATING INSTRUCTIONS, ALTHOUGH NOT EXPLICITLY
SO REQUIRING, CONTEMPLATED THAT FALL-BACK POSITION WOULD
INVOLVE RETENTION OF US RIGHT OF APPROVAL IN AGREEMENT ITSELF,
WITH EXPRESSION OF READINESS TO EXTEND APPROVAL FOR MULTI-
NATIONAL PLANT TO BE INCORPORATED IN SEPARATE NOTE. SUCH
UNDERSTANDING COULD, HOWEVER, BE INCORPORATED IN AGREEMENT
PROPER, WHILE STILL RETAINING IN FORM AND SUBSTANCE "TWO STEP"
CONSTRUCTION OF US RIGHT OF APPROVAL AND EXPRESSION OF READINESS
TO PROVIDE APPROVAL IF AGREED CONDITION MET. REPS REQUEST
GUIDANCE ON URGENT BASIS WHETHER SUCH APPROACH CAN BE TABLED
IF NECESSARY.

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